

STATE OF WASHINGTON
**OFFICE OF
INSURANCE COMMISSIONER**
**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF WASHINGTON**

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In the Matter of)	No. D 99 - 64
DAIRYLAND INSURANCE Company,)	CONSENT AND ORDER
An Authorized Insurer.)	TO PAY FINE
)	

FINDINGS OF FACT:

1. Dairyland Insurance Company ("Dairyland"), is one of the companies in the Sentry Insurance Group. It was formed in 1965 under the laws of Wisconsin, and is the successor to Dairyland Mutual Insurance Company, originally organized in 1953. Financial control has been held directly or indirectly by Sentry Insurance since 1966. It is an authorized insurer in Washington State.
2. The Office of the Insurance Commissioner ("OIC") performed a Market Conduct Examination of Dairyland with respect to policies issued in the State of Washington and to claims closed for Washington insureds from October 31, 1996 to October 31, 1997.
3. On September 30, 1998, a Report ("the Report") setting forth Findings, Conclusions, and Orders with respect to the above-referenced Market Conduct Examination was adopted by the Insurance Commissioner.
4. The Report found the following facts to be true during the period covered by the Report:
 - a. Dairyland failed to renew 17 policies because the agent's contract with Dairyland was terminated.

b. Dairyland failed to use its legal name on correspondence originating from its Phoenix branch office.

c. Eleven of Dairyland's claim files did not contain notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events could be reconstructed by the examiners.

d. In four instances Dairyland failed to fully disclose to first party claimants all pertinent benefits and coverage.

e. In nine instances Dairyland failed to respond to pertinent communications from claimants which reasonably suggested that a response was expected within 10 working days.

f. In six instances Dairyland unreasonably delayed completing its investigation of claims.

g. In six instances Dairyland unreasonably failed to complete its investigation of claims within 30 days after it was notified of the claim.

h. In four instances Dairyland's methods of evaluating total loss settlements did not meet the standards set forth in WAC 284-30-390(1)(a)(b)(c).

5. Dairyland has cooperated with the Office of the Insurance Commissioner in attempting to rectify the problems discovered in the Market Conduct Examination that culminated in the Report adopted September 30, 1998.

6. There is no indication that Dairyland intentionally violated the Washington statutes and regulations that are the subject of this Order.

CONCLUSIONS OF LAW

7. Dairyland's failure to renew 17 policies because the agent's contract was terminated constitutes 17 violations of RCW 48.17.591(1).

8. Dairyland's failure to use its legal name on correspondence originating from its Phoenix branch office constitutes numerous violations of RCW 48.05.190(1).

9. Dairyland's failure in 11 of its claim files to keep notes and work papers pertaining to those claims in such detail that pertinent events and the dates of such events could be reconstructed constitutes 11 violations of WAC 284-30-340.

10. Dairyland's failure to fully disclose to four first party claimants all pertinent benefits and coverage constitutes four violations of WAC 284-30-350.

11. Dairyland's nine failures to respond to pertinent communications from claimants which reasonably suggested that a response was expected, within 10 working days, constitutes nine violations of WAC 284-30-360(3).

12. Dairyland's six instances of unreasonable delays in completing its claim investigations constitutes six violations of WAC 284-30-330(3).

13. Dairyland's six unreasonable failures to complete its claims investigation within 30 days after it was notified of the claims constitutes six violations of WAC 284-30-370.

14. Dairyland's four failures to meet the valuation standards set forth in WAC 284-30-390 (1)(a)(b)(c) constitutes four violations of that regulation.

CONSENT TO ORDER

Dairyland hereby admits to the foregoing Findings of Fact and Conclusions of Law.

The Commissioner has offered a settlement in lieu of suspending or revoking Dairyland's certificate of registration.

By agreement of the parties, the OIC will impose a fine of \$90,000, and suspend \$45,000 on condition that:

1. Dairyland pay \$45,000 of the fine for its violations of Washington insurance law within thirty days of the entry of this Order.
2. Dairyland commit no further violations of the statutes and regulations that are the subject of this Consent Order for a period of one year from the date on which this Order is entered. The OIC will not impose the balance of the fine nor proceed against Dairyland's certificate should Dairyland commit isolated, de minimis, violations of the statutes and regulations that are the subject of this Consent Order during the suspense period, as determined by the OIC. Dairyland commits to rectifying such violations promptly once they are brought to its attention.

This fine must be paid in full within thirty days of the entry of this Order. Pursuant to RCW 48.05.185, failure to pay the fine within the allotted time shall constitute grounds for revocation of the insurer's certificate of registration, and for the recovery of the fine in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

EXECUTED and AGREED this _____ day of _____, 1999.

DAIRYLAND INSURANCE COMPANY

Title: _____

Signed: _____

ORDER:

Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of Ninety Thousand Dollars, with Forty-Five Thousand Dollars suspended, upon Dairyland Insurance Company. The fine must be paid in full within thirty days of the date of entry of this order. Failure to pay the fine within the allotted time shall constitute grounds for the revocation of Dairyland Insurance Company's certification of registration, and for the recovery of the full fine, including the

suspended portion, in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

The Commissioner may impose the balance of the suspended fine and suspend or revoke Dairyland Insurance Company's certificate of registration should Dairyland Insurance Company fail to meet the conditions set forth in the "Consent to Order" section of this document.

Execution of this Consent Order and fulfillment of all its terms and conditions by Dairyland will settle all issues arising from the Market Conduct Examination of Dairyland's Washington operations which culminated in the Report adopted on September 30, 1998.

ENTERED AT OLYMPIA, WASHINGTON, this _____ day of _____, 1999.

DEBORAH SENN

Insurance Commissioner

By: _____

Carol Sureau

Enforcement Attorney

Office of the Insurance Commissioner